

PURCHASE OF DOMESTIC FEDERAL SERVICE

A.C.A. § 24-7-611, A.C.A. § 24-7-202

DEFINITIONS

1. **Board** means the Board of Trustees of the Arkansas Teacher Retirement System (ATRS).
2. **Domestic federal service** means service rendered as a teacher or administrator in any school or similar institution located on a military base or installation that is administered by the Department of Defense.
3. **System** means the Arkansas Teacher Retirement System.

RULES

1. An active member shall be eligible to purchase domestic federal service under the following conditions:¹
 - A. Domestic federal service credit eligible for purchase shall be limited to service for which no benefit except social security could be payable by another system similar in purpose to this System, and on which the member left on deposit his or her contributions to that system.
 - B. Domestic federal service purchased shall be limited to ten (10) years.
2. The cost to purchase domestic federal service is the employee and employer contribution rates in effect at the time of purchase times the greater of:
 - A. The first full year of annual salary the member received for actual service to a covered employer earned immediately preceding the purchase; or
 - B. The average of the member's three highest annual salaries to a covered employer. If the member does not have at least three salaries that comprise three years of service, the cost statement shall be based solely upon the first full year's covered annual salary for Arkansas service immediately preceding the purchase. If the member has not earned one full year of Arkansas service, no cost statement will be provided.

¹ The Board shall not implement the purchase of domestic federal service until the System has reduced its unfunded accrued liabilities being amortized over a period exceeding thirty (30) years to a level less than the standards prescribed for those public retirement systems under A.C.A. § 24-1-104 and A.C.A. § 24-1-105.

3. Interest will be added to the cost statement as follows:
 - A. If the cost is based solely on the member's first full year annual salary immediately preceding the purchase, interest will accrue from the end of the preceding year used in the computation until paid in full.
 - B. If the cost is based upon the average of the member's three (3) highest salaries, interest will accrue from the end of the latest year used in the computation until paid in full.
 - C. Interest will accrue annually on any unpaid balance based upon the initial payment date until paid in full.
4. The domestic federal service will become credited service in the System when:
 - A. The member payments have been paid in full; and
 - B. The member has established five (5) or more years of actual service exclusive of domestic federal service.
5. Should a member cease to be an active member before the federal domestic service has been established as System credited service, the member payments contributed shall be refundable, together with regular interest; however, due to IRS regulations, purchase account payments made through employer pick-up are subject to the restrictions as stated in Rule No. 8-6 (Rollover Eligibility).
6. To be eligible to establish one (1) year of domestic federal service, a minimum of one hundred twenty (120) days must have been worked. Fractional years of domestic federal service may be purchased in accordance with A.C.A. § 24-7-601 and A.C.A. § 24-1-611(c). A month of domestic federal service shall be considered as twenty (20) days.
7. Certification of domestic federal service must be submitted to ATRS on a form provided by the System.
8. All domestic federal service shall be counted as contributory service.
9. Purchased domestic federal service shall be credited to the fiscal year in which it was rendered.
10. Repayments of refunds or the purchase of service may be made by employer pick-up (tax-deferred deductions). See Rule No. 8-5 (Purchase Payments).

11. ATRS will accept participant rollover contributions and/or direct rollovers of distributions for the purchase of service credit under certain circumstances. See Rule No. 8-4 (Direct Rollover Eligibility).

Adopted: February 11, 2008